

VZCZCXRO3647  
RR RUEHCHI RUEHCN RUEHDT RUEHHM  
DE RUEHJA #0517/01 0730853  
ZNR UUUUU ZZH  
R 130853Z MAR 08  
FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC 8322  
INFO RUEAWJB/DEPT OF JUSTICE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHJS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHKO/AMEMBASSY TOKYO 1665  
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UNCLAS SECTION 01 OF 02 JAKARTA 000517

SIPDIS

DEPT FOR U/S JEFFERY, EEB A/S SULLIVAN, DEPT FOR EAP DAS MARCIEL, EEB  
DAS DIBBLE  
DEPT FOR EAP/MTS, EEB/IFD/OIA, INL BOULDIN  
L/LEI FOR BUCHHOLZ  
DOJ FOR CRIM AAG SWARTZ  
DOJ/OIA FOR WARNER/ROBINSON  
DOJ/OPDAT FOR ALEXANDRE/LEHMANN/JOHNSON  
DOJ/AFMLS FOR SAMUEL  
MCC FOR AMBASSADOR DANILOVICH AND MORFORD  
DEPT PASS USTR FOR AMBASSADOR SCHWAB  
TREASURY FOR IA - A/S LOWERY  
USAID FOR ANE/AA WARD

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [PGOV](#) [KMCA](#) [KCOR](#) [ECON](#) [KJUS](#) [ID](#)  
SUBJECT: IAGGA INDONESIA REPORT

REF: STATE 18836

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11. (U) This cable responds to the action request in STATE 18836,  
regarding the International Anti-Corruption and Good Governance Act.  
Below is the text of Embassy Jakarta's report.  
Government Efforts  
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12. (U) The Government of Indonesia (GOI) is in the process of a  
significant anti-corruption campaign, further institutionalizing its  
commitment to anti-corruption reform in 2006 and 2007. The GOI has  
replaced or sidelined corrupt officials, energized anti-corruption  
agencies, and publicly supported reformers. The Corruption  
Eradication Commission (KPK) has established itself as the premier  
body for anti-corruption reform since its founding in 2003. The  
Chief of Police and Minister of Finance as well as the recently  
appointed Attorney General and Minister for State-Owned Enterprises  
are considered to be "reformers" with the ability to lead further  
governance and anti-corruption reform in Indonesia.

13. (U) The GOI and USAID are implementing a Millennium Challenge  
Corporation (MCC) Threshold program, which includes a strong focus  
on improving anti-corruption efforts. In 2007, Indonesia scored  
exactly at the median on the MCC's "control of corruption" index,  
marking continual improvement over the past four years.  
Institutions throughout the government are taking pro-active  
measures and establishing strategic plans to combat corruption.  
However, limited institutional capacity remains a constant challenge  
throughout the government, both at the national and local levels.

14. (U) Indonesia hosted the 2nd Conference of State Parties for the  
UN Convention Against Corruption (UNCAC) in January 2008. A UNCAC  
signatory, Indonesia is working to revise its criminal law to comply  
with UNCAC regulations. The GOI has also publicly expressed support  
for participating in the World Bank - UN Stolen Asset Recovery  
(StAR) initiative.  
Law Enforcement and Legal Systems

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¶5. (U) Supreme Court and broader judicial sector reform is of paramount importance to effectively combat corruption in Indonesia. MCC is working to improve institutional capacity at the Supreme Court through budget and human resource systems reform. USAID is supporting GOI partners to develop systems to manage corruption and commercial cases at the Supreme Court and five Jakarta District Courts.

¶6. (U) The Corruption Eradication Commission (KPK) is an independent GOI institution that investigates and prosecutes high-profile corruption cases and coordinates government-wide corruption initiatives. During its first four years (2003-2007), the KPK successfully prosecuted 100% of its cases (39 total), including the prosecution of former ministers, governors, and other senior officials. The GOI is considering a bill to expand the KPK. The MCC Threshold program supports the KPK by providing funding for equipment and training to improve the technical capabilities, communications, and investigative capacity.

¶7. (U) A U.S. Department of Justice (DOJ) Resident Legal Advisor based at U.S. Embassy Jakarta is working with the Attorney General's Office and Ministry of Law and Human Rights on critical legislation, including revisions to the criminal procedure code and developing an asset forfeiture law. The Indonesian National Police is undergoing a transformation under new leadership with improved internal discipline. DOJ's International Criminal Investigative Training Assistance Program (ICITAP) is providing assistance to the police to clarify professional standards, reform financial management, and build capacity for effective investigation techniques.

¶8. (U) The GOI's Financial Transaction Reports and Analysis Center (PPATK) is a strong proponent of combating money-laundering in Indonesia. USAID support to PPATK has also led to the formulation of a National Anti-Money Laundering Strategy. PPATK has increased the number of suspicious transaction reports being filed by bank and non-bank financial institutions and has been instrumental in the increased number of prosecutions of money laundering cases.

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#### Transparent Governance

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¶9. (U) Both USAID and the USAID-administered MCC Threshold Program are assisting in the implementation of the 2007 Supreme Court Transparency Decree, an initiative that requires all Court decisions to be published. Publishing Supreme Court decisions can transform the Indonesian judicial system by increasing its transparency and accountability.

¶10. (U) The "Group of Five" - the Ministry of Finance (MOF), KPK, Supreme Audit Board (BPK), Supreme Court, and the Ministry for State Apparatus Reform - is leading a pilot civil service reform effort. Reforms include revisions to pay structures as well as efficiency and performance improvements. The GOI's personnel expenditure in the 2008 budget increased by 30%. The MOF is improving transparency in Indonesia's tax administration. The USG has actively worked with other donors to support these efforts, including the establishment of a directorate for tax investigations and intelligence and a sub-directorate for internal controls.

¶11. (U) The GOI has also made efforts in the past year to consolidate and improve management at more than 150 state-owned enterprises, but many remain non-transparent and subject to political meddling. BPK, similar to the U.S. GAO, is playing a greater role in exposing corruption and increasing government transparency and accountability. The BPK continues to receive technical assistance through USAID to help it build capacity and implement reforms. The U.S. Department of Defense and USAID are working with the Indonesian Ministry of Defense to improve defense resource management systems and evaluate military business divestiture.

¶12. (U) USAID is partnering with local governments, local legislatures and civil society organization in 57 districts to establish more sound and transparent, performance-based budgeting, financial management and procurement practices and strengthen civil society efforts to monitor and prevent public sector corruption. In 2006, USAID supported a highly successful public information campaign on procurement integrity and produced and nationally disseminated practical tools for monitoring local government

procurements. In 2007, USAID trained staff of 50 local governments on new government accounting and financial management standards for accountability. These initiatives support Indonesia's ambitious decentralization reform agenda which devolves significant governing and budgetary authority to the city and district (kabupaten) governments. At the national level, USAID is assisting the AGO to implement their anti-corruption agenda.

Civil Society

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¶13. (U) Anti-corruption NGOs and media investigations of corruption are a critical component of the overall anti-corruption reform movement. Several USAID programs partner with Indonesian civil society organizations on anti-corruption and governance reform programs. For example, the MCC Threshold program is working with Transparency International (TI) - Indonesia to conduct further survey-based research related to TI's Corruption Perception Index for Indonesia. Embassy Jakarta is also working with the CSIS Hills Program on Governance to establish a university institute to promote research on governance issues.